

# *Social Security*

Understanding  
The Benefits



## Why We Hope You Will Read This Booklet

Whether you're young or old, male or female, single or with a family—this booklet is for you and about you. That's because Social Security has programs that affect everybody.

Chances are you're either paying Social Security taxes or getting Social Security benefits—or you're related to somebody who is.

Whatever your situation, this booklet has information you will find helpful and useful.

It was prepared by the Social Security Administration (SSA) and tells you what you need to know about Social Security while you're still working and what you need to know when it's your turn to collect benefits. It also provides an overview of Medicare and Supplemental Security Income (SSI) benefits.

The information in this booklet is not intended to cover all provisions of the law. For specific information about your case, contact a Social Security office. Other booklets are available that explain all of the Social Security programs in more detail. And we have prepared a series of leaflets and factsheets that provide information about some of the finer points of Social Security. Page 34 lists some of these brochures.

Social Security's  
Toll-Free Number  
**1-800-772-1213**  
Internet: <http://www.ssa.gov>

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## Part 1—Your Investment In Social Security

### **Your Social Security Taxes Pay Benefits**

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You may wonder where your Social Security and Medicare tax dollars go. Generally, out of every dollar you pay in Social Security and Medicare taxes:

- 70 cents goes to a trust fund that pays monthly benefits to retirees and their families and to about eight million widows, widowers and children of workers who have died;
- 19 cents goes to a trust fund that pays for some of the costs of hospital and related care of all Medicare beneficiaries; and
- 11 cents goes to a trust fund that pays benefits to people with disabilities and their families.

Your Social Security taxes also pay for administering Social Security. The administrative costs are paid from the trust funds described above and are **less than one** cent of every Social Security tax dollar collected.

Money not used to pay benefits and administrative expenses is invested in U.S. government bonds, generally considered the safest of all investments. The government uses the money it has borrowed from Social Security—just as it uses money you may have invested in government bonds—to pay for all the services and programs it provides for our citizens. And, just as the government pays you back with interest on your bonds, it makes good on its obligations to Social Security.

You also need to know about Social Security's financial stability. Each year, Social Security's Board of Trustees reports on the financial status of the Social Security program. These reports serve as valuable tools for evaluating

and ensuring the economic health of the Social Security system. The latest report indicates that the Social Security system, as currently structured, will be able to pay benefits well into the next century. This means the Congress has time to make changes to safeguard the program's financial future.

## **Social Security Is More Than Retirement**

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Most people think of Social Security as a retirement program. Although it's true that most of our beneficiaries (about 61 percent) receive retirement benefits, many others get Social Security because they are:

- disabled;
- a spouse or a dependent of someone who gets Social Security; or
- a widow, widower or child of someone who has died.

Depending on your circumstances, you may be eligible for Social Security at any age. Social Security pays more benefits to children than any other government program. Today, more than 44 million people, about one out of every six Americans, collect some kind of Social Security benefit.

## **How To Contact Us**

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SSA has about 1,300 offices in cities and towns across America. You're always welcome to visit the office nearest you.

You can get recorded information 24 hours a day, including weekends and holidays, by calling Social Security's toll-free number, **1-800-772-1213**. You can speak to a service representative between 7 a.m. and 7 p.m. on business days. Our lines are busiest early in the week and

early in the month, so if your business can wait, it's best to call at other times. When you call, have your Social Security number handy.

People who are deaf or hard of hearing may call our toll-free "TTY" number, 1-800-325-0778, between 7 a.m. and 7 p.m. on business days. You also can reach us on the Internet. Type <http://www.ssa.gov> to access Social Security information.

SSA treats all calls confidentially—whether they're made to our toll-free numbers or to one of our local offices. We also want to ensure that you receive accurate and courteous service. That's why we have a second Social Security representative monitor some incoming and outgoing telephone calls.

## **Planning For Your Financial Future**

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Social Security benefits are not intended to meet all of your financial needs. When you retire, you'll probably need other income, such as savings or a pension. Think of Social Security as a foundation upon which you can build your financial future.

This booklet explains the plans and decisions you need to make now to ensure a brighter and more secure financial future for you and your family.

## Part 2—What You Need To Know About Social Security While You're Still Working

### **Social Security: A Simple Concept**

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Social Security is based on a simple concept. When you work, you pay taxes into the system, and when you retire or you become disabled, your spouse and your dependent children receive monthly benefits that are based on your earnings. And, your survivors collect benefits when you die.

### **Your Social Security Number**

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Your first, and most continuing, link with Social Security is your number. You'll need your Social Security number to get a job and to pay taxes. Without it, you won't be able to pay into the Social Security program, and you won't be able to collect Social Security benefits. We use your Social Security number to track your earnings while you're working and to track your benefits once you're getting Social Security.

You'll need to show your number to your employer, any financial institution that pays you interest and to the Internal Revenue Service. And, many other businesses and government agencies use the Social Security number for recordkeeping purposes. Although we can't prevent others from asking for your number, you should know that if you give it to them they **cannot** use it to get your Social Security records. We will not give information from your records without your written consent, unless the law requires or permits it.



**If you need a Social Security number, if you lost your card and need another one or if you need to change your name on your current card,** call or visit a Social Security office. We'll ask you to fill out a simple one-page form and ask to see certain documents depending on your situation. (We need to see originals or certified copies.)

These are typical examples:

- a birth certificate and some form of identification for a new card;
- some form of identification for a replacement card; or
- a marriage certificate or divorce papers for a name change.

## **The Social Security Taxes You Pay**

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The Social Security taxes you and other workers pay into the system are used to pay for Social Security benefits. In addition, a portion of those taxes are used to pay for part of your Medicare coverage. The Supplemental Security Income program is financed by general tax revenues, not Social Security taxes.

### **If You Work For Someone Else**

You and your employer pay taxes for Social Security and Medicare. In 1998, you and your employer each pay 7.65 percent of your gross salary (6.2 percent for Social Security and 1.45 percent for Medicare), up to \$68,400. The deduction may be labeled "FICA" on your pay slip. FICA is the Federal Insurance Contributions Act, the law that authorized Social Security's payroll tax.

### **If You Work For Yourself**

If you're self-employed, you pay 15.3 percent of your taxable income into Social Security, up to \$68,400. You can take special deductions when you file your income tax that are intended to offset your tax rate.

***For More Information:*** To learn more about self-employment tax rates, call or visit Social Security to ask for a copy of the factsheet, *If You're Self-Employed* (Publication No. 05-10022).

### **Extra Taxes For Medicare**

If you earn more than \$68,400 in 1998, you continue to pay the Medicare portion of the Social Security tax on the rest of your earnings. The Medicare tax is 1.45 percent for both employers and employees, and 2.9 percent for self-employed persons.

### **You Become Eligible For Social Security By Earning "Credits"**

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You must work and pay taxes into Social Security in order to get benefits. (Of course, some people get benefits as a dependent or survivor on another person's Social Security record.)

As you work and pay taxes, you earn Social Security "credits." In 1998, you earn one credit for each \$700 in earnings you have—up to a maximum of four credits per year. (The amount of money needed to earn one credit goes up every year.)

Most people need 40 credits (10 years of work) to qualify for benefits. Younger people need fewer credits to be eligible for disability benefits or for their family members to be eligible for survivors benefits if they die.

During your working lifetime, you probably will earn more credits than you need to be eligible for Social Security. These extra credits do not increase your eventual Social Security benefit. However, the income you earn may increase your benefit, as you will learn in the next two sections.

***For More Information:*** If you want to learn more about the number of credits you would need to qualify for benefits, call or visit Social Security to ask for a *Personal Earnings and Benefit Estimate Statement* (see the next section), or ask for a copy of one of the following booklets: *Retirement Benefits* (Publication No. 05-10035), *Survivors Benefits* (Publication No. 05-10084) or *Disability Benefits* (Publication No. 05-10029).

## **How Much Will You Get From Social Security?**

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The amount of your Social Security benefit is based on your date of birth, the type of benefit you are applying for and, most importantly, your earnings.

This booklet explains how a Social Security benefit is figured. You'll find tables in the back of this booklet that give examples of Social Security benefits. If you would like a detailed, personal estimate of your Social Security retirement, disability and survivors benefits, call or visit Social Security. We'll send you a form you can use to get a *Personal Earnings and Benefit Estimate Statement*.

## **How Your Benefit Is Figured**

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In general, a Social Security benefit is based on your earnings averaged over your working lifetime. This is different from many private pension plans that are usually based on a relatively small number of years of earnings.

Here's how your Social Security benefit is figured:

Step 1— We determine the number of years of earnings to use as a base.

**Retirement benefits:** For everybody born after 1928 and retiring in 1991 or later, that number is the 35 highest years. Fewer years are used for people born in 1928 or earlier.

**Disability and survivors benefits:** We use most of the years of earnings posted to your record.

Step 2— We adjust these earnings for wage inflation.

Step 3— We determine your **average** adjusted monthly earnings based on the number of years figured in step 1.

Step 4— We multiply your average adjusted earnings by percentages in a formula specified by law.

That formula results in benefits that replace about 42 percent of a person's earnings. This applies to people who had **average** earnings during their working years. The percentage is lower for people in the upper income brackets and higher for people with low incomes. (That's because the Social Security benefit formula is weighted in favor of low-income workers who have less opportunity to save and invest during their working years.)

### **If You Haven't Earned Enough Credits To Get Social Security**

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If you haven't worked long enough to get Social Security, or if you receive only a small benefit amount, you may be eligible for Supplemental Security Income (SSI). For more information, see Page 23.

## Part 3—What You Need To Know When You Become Eligible For Social Security

### **How And When To Sign Up For Social Security**

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You can apply for benefits at any Social Security office. The easiest way to file a claim is to call our toll-free number, **1-800-772-1213**, to ask for an appointment.

For disability, survivors and SSI benefits, you should apply as soon as you're eligible. (The rest of this chapter will help you decide if and when you are.) When signing up for retirement, you should talk to a Social Security representative in the year before the year you plan to retire. That's because the rules are complicated, and it may be to your advantage to start your retirement benefits before you actually stop working.

### **What Records Will You Need?**

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To show that you are eligible for Social Security and to help us decide how much your benefits should be, there are certain documents we may ask you to provide. The ones you'll need depend on the circumstances of your claim. Here is a list of some of the documents you may need when you sign up for Social Security:

- your Social Security card (or a record of your number);
- your birth certificate;
- children's birth certificates (if they are applying);
- proof of U.S. citizenship or lawful alien status if you (or a child who is applying) were not born in the U.S.;
- your spouse's birth certificate and Social Security number if he or she is applying for benefits based on your record;

- marriage certificate (if signing up on a spouse's record);
- your military discharge papers if you had military service; and
- your most recent W-2 form, or your tax return if you're self-employed.

This is just a partial list to help you get prepared. We'll let you know if other documents are needed when you file a claim.

***Here's An Important Point.*** You'll need to submit original documents or copies certified by the issuing office. You can mail or bring them to Social Security. We'll make photocopies and return your documents.

If you don't have all the documents you need, don't delay signing up for Social Security. We'll help you get the information you need.

### **Direct Deposit**

When you apply for Social Security benefits, be sure to have your checkbook or bank statement with you. The Social Security representative who takes your claim will need that information to make sure your monthly benefit is correctly deposited into your bank account. If you do not have a bank account, the representative will help you make other arrangements for your monthly benefit.

### **Retirement Benefits**

This section of the booklet explains Social Security retirement benefits. To learn more about the program, call or visit Social Security to ask for a copy of the booklet, *Retirement Benefits* (Publication No. 05-10035).

## **Full Retirement**

If you were born before 1938, you will be eligible for your full Social Security benefit at the age of 65.

However, beginning in the year 2003, the age at which full benefits are payable will increase in gradual steps from 65 to 67. The following table lists the steps:

### **Age To Receive Full Social Security Benefits**

| Year of Birth   | Full Retirement Age |
|-----------------|---------------------|
| 1937 or earlier | 65                  |
| 1938            | 65 and 2 months     |
| 1939            | 65 and 4 months     |
| 1940            | 65 and 6 months     |
| 1941            | 65 and 8 months     |
| 1942            | 65 and 10 months    |
| 1943-1954       | 66                  |
| 1955            | 66 and 2 months     |
| 1956            | 66 and 4 months     |
| 1957            | 66 and 6 months     |
| 1958            | 66 and 8 months     |
| 1959            | 66 and 10 months    |
| 1960 and later  | 67                  |

### **Reduced Benefits As Early As Age 62**

No matter what your “full” retirement age is, you may start receiving benefits as early as age 62. However, if you start your benefits early, they are reduced five-ninths of one percent for each month before your “full” retirement age. For example, if your full retirement age is 65 and you sign up for Social Security when you’re 64, you will receive  $93\frac{1}{3}$  percent of your full benefit. At age 62, you would get 80 percent. (Note: The reduction will be greater in future years as the full retirement age increases.)

***Here's An Important Point:*** There are disadvantages and advantages to taking your benefit before your full retirement age. The disadvantage is that your benefit is permanently reduced. The advantage is that you collect benefits for a longer period of time. Each person's situation is different, so make sure you contact Social Security before you decide to retire.

### **What About Late Retirement?**

Some people continue to work full time beyond their full retirement age—and they don't sign up for Social Security until later. This delay in retirement can increase your Social Security benefit in two ways:

- Your extra income usually will increase your “average” earnings, and the higher your average earnings, the higher your Social Security benefit will be.
- In addition, a special credit is given to people who delay retirement. This credit, which is a percentage added to your Social Security benefit, varies depending on your date of birth. For people turning age 65 in 1997, the rate is 5 percent per year. That rate gradually increases in future years, until it reaches 8 percent per year for people turning age 65 in 2008 or later.

### **How Much Will You Get?**

On Page 10, we explained how you can get an estimate of the benefits you are due. A table on Page 35 gives examples of retirement benefit rates.



## Disability Benefits

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This section of the booklet describes Social Security's disability program. It focuses on benefits for people who have worked and earned enough Social Security "credits" to qualify for disability on their own work record.

Other kinds of disability benefits are available from Social Security, depending on your circumstances. For example:

- widows and widowers with disabilities may be eligible for benefits on the record of a spouse;
- people with disabilities who have low income and few assets might be eligible for SSI benefits; or
- children over age 18 with disabilities might be eligible for Social Security benefits on the record of a parent, or children of any age with disabilities might be eligible for SSI benefits on their own.

***For More Information:*** Because disability is one of the most complicated of all Social Security programs, we recommend that you call or visit Social Security to ask for a copy of the booklet, *Disability Benefits* (Publication No. 05-10029), for more in-depth information.

For information about benefits available to children with disabilities, see Page 25 of this booklet, or call or visit Social Security and ask for a free copy of the leaflet, *Benefits For Children With Disabilities* (Publication No. 05-10026).

## What Do We Mean By "Disability"?

The dictionary defines disability as "a physical or mental condition that prevents a person from leading a normal life." Social Security's definition of disability is more specific and is related to your ability to work.

To qualify for disability from Social Security, you must have a physical or mental impairment that is expected to keep you from doing any “substantial” work for at least a year. (Generally, monthly earnings of \$500 or more are considered substantial.) Or, you must have a condition that is expected to result in your death.

This is a strict definition of disability. Unlike many private pension plans or even other government disability programs, Social Security is not intended for a temporary condition. In other words, there is no such thing as a “partial” disability payment from Social Security.

### **How To Speed Up Your Disability Claim**

If you become disabled, you should file for disability benefits right away. You can do this by calling or visiting any Social Security office.

You can shorten the time it takes to process your claim if you have the following medical and vocational information when you apply:

- medical records from your doctors, therapists, hospitals, clinics and caseworkers;
- your laboratory and test results;
- the names, addresses and phone and fax numbers of your doctors, clinics and hospitals;
- the names of all medications you are taking; and
- the names of your employers and job duties for the last 15 years.

***Here’s An Important Point:*** Social Security’s disability rules are different from those of other private plans or government agencies. The fact that you qualify for disability from somebody else doesn’t mean you’ll be eligible for Social Security. And because you have a statement from your

doctor indicating you are disabled doesn't mean you'll be automatically eligible for Social Security disability payments.

### **When Do Your Disability Benefits Start?**

In most cases, your monthly benefits will begin with the sixth full month of your disability. Here's a simple example of how this works:

John has a severe heart attack on March 15. He files for disability on March 29, and his claim is approved on May 30. September is the sixth **full** month that he is disabled, so his benefits begin that month. Because benefit payments begin in the following month, he will receive his September benefits in October.

***Here's An Important Point:*** Don't delay signing up for Social Security because of this "waiting period." By filing early, all the paperwork will be processed before your first benefits are due. There is no waiting period for disabled children's benefits or for SSI disability payments.

### **How Much Will You Get?**

On Page 10, we told you how you can get a personalized estimate of any benefits you are due. A table on Page 36 gives examples of disability benefit rates.

### **Worker's Compensation**

Your Social Security disability benefit may be reduced if you get worker's compensation or certain other government disability benefits. Or, your Social Security benefits may reduce your other disability payments. The sum of all disability payments to you and your family cannot exceed 80 percent of your earnings averaged over a period of time shortly before you became disabled.

## **How Long Will Your Disability Benefits Continue?**

You will continue to get disability benefits unless your condition improves or you return to performing “substantial” work (see Page 17). We check your claim periodically to determine if this is the case. To help us decide, you may be asked to undergo a special test or examination that we will pay for.

## **Incentives To Return To Work**

There are special rules that help people who would like to work but are concerned about the effect this might have on their disability benefits. These rules permit people to try working without risking a sudden loss of their monthly benefits and their Medicare coverage.

***For More Information:*** If you would like to learn more about these special work incentives, call or visit any Social Security office and ask for a copy of the leaflet, *Working While Disabled ... How We Can Help* (Publication No. 05-10095).

## **Benefits For Your Family**

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This section of the booklet describes the benefits payable to members of your family when you are eligible for retirement or disability benefits.

### **Who Can Get Benefits?**

When you start collecting Social Security retirement or disability benefits, other members of your family also may be eligible for payments. For example, benefits can be paid to:

- your husband or wife if he or she is age 62 or older (unless he or she collects a higher Social Security benefit on his or her own record);

- your husband or wife at any age if he or she is caring for your child (the child must be under age 16 or disabled and receiving Social Security benefits); and
- your children, if they are unmarried and
  - under age 18;
  - under age 19, but in elementary or secondary school as a full-time student; or
  - age 18 or older and severely disabled (the disability must have started before age 22).

### **How Much Can Family Members Get?**

Each family member may be eligible for a monthly benefit that is up to 50 percent of your retirement or disability rate. However, there's a limit to the total amount of money that can be paid to a family on your Social Security record. The limit varies, but is generally equal to about 150 to 180 percent of your retirement benefit. (It may be less for disability benefits.) If the sum of the benefits payable on your account is greater than this family limit, the benefits to the family members will be reduced proportionately. Your benefit will not be affected.

### **Benefits For Divorced People**

If you are divorced (even if you have remarried), your ex-spouse may qualify for benefits on your record. In some situations, he or she may get benefits even if you're not receiving them. To qualify, your ex-spouse must:

- have been married to you for at least 10 years;
- be at least 62 years old;
- be unmarried; and
- not be eligible for an equal or higher benefit on his or her own Social Security record, or on someone else's Social Security record.

***Here's An Important Point:*** If your ex-spouse receives benefits on your account, it doesn't affect the amount of any benefits payable to you or your other family members.

## **Survivors Benefits**

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This section of the booklet tells about the benefits payable to the family of a worker who dies. For more information, call or visit any Social Security office and ask for a copy of the booklet, *Survivors Benefits* (Publication No. 05-10084).

### **Who Can Receive Survivors Benefits?**

When you die, certain members of your family may be eligible for benefits on your Social Security record if you earned enough credits while you were working.

Family members who can collect benefits include:

- a widow or widower who is 60 or older;
- a widow or widower who is 50 or older and disabled;
- a widow or widower at any age if she or he is caring for a child under age 16 or a disabled child who is receiving Social Security benefits;
- children if they are unmarried and
  - under age 18;
  - under age 19 but in an elementary or secondary school as a full-time student; or
  - age 18 or older and severely disabled (the disability must have started before age 22); and
- your parents, if they were dependent on you for at least half of their support.

### **Special One-Time Death Benefit**

If you had enough credits, a special one-time payment of \$255 also will be made after your death. This benefit is paid only to your widow(er) or minor children.

### **Benefits To Divorced Widows And Widowers**

If you are divorced (even if you have remarried), your ex-spouse will be eligible for benefits on your record when you die. In order to qualify, your ex-spouse must:

- be at least 60 years old (or 50 if disabled) and have been married to you for at least 10 years;
- be any age if caring for a child who is eligible for benefits on your record;
- not be eligible for an equal or higher benefit on his or her own record; and
- not be currently married, unless the remarriage occurred after age 60—or 50 for disabled widows. (In cases of remarriage after the age of 60, your ex-spouse will be eligible for a widow's benefit on your record or a dependent's benefit on the record of his or her new spouse, whichever is higher.)

***Here's An Important Point:*** If your ex-spouse receives benefits on your account, it does not affect the amount of any benefits payable to other survivors on your record.

### **How Much Will Your Survivors Get?**

Your survivors receive a percentage of your basic Social Security benefit—usually in a range from 75 to 100 percent each. However, there is a limit to the amount of money that can be paid each month to a family. The limit varies, but is generally equal to about 150 to 180 percent

of your benefit rate. If the sum of the benefits payable to your surviving family members is greater than this limit, the benefits to your family will be reduced proportionately.

The *Personal Earnings and Benefit Estimate Statement*, explained on Page 10, provides an accurate measurement of potential survivors benefits payable on your record. In addition, a table on Page 37 gives examples of survivors benefit rates.

### **Retirement Benefits For Widow(er)s**

If you're receiving widows or widowers (including divorced widows or widowers) benefits, you can switch to your own retirement benefits as early as age 62 (assuming you're eligible and your retirement rate is higher than your widow's rate). In many cases, a widow(er) can begin receiving one benefit at a reduced rate and then switch to the other benefit at an unreduced rate at age 65. The rules are complicated and vary depending on your situation, so talk to a Social Security representative about the options available to you.

### **Supplemental Security Income**

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This section of the booklet explains the Supplemental Security Income (SSI) program. For more information, call or visit any Social Security office and ask for a copy of the booklet, *Supplemental Security Income* (Publication No. 05-11000).

#### **What Is Supplemental Security Income?**

Supplemental Security Income is usually called "SSI" for short. Although this program is run by Social Security, the money to pay for SSI benefits does not come from Social Security taxes or Social Security trust funds. SSI payments are financed by the general revenue funds of the U.S. Treasury.



SSI makes monthly payments to people who have low incomes and few assets. To get SSI you must be living in the U.S. or the Northern Mariana Islands and be:

- 65 or older;
- blind; or
- disabled.

You also must be a U.S. citizen or national. (Some non-citizens can qualify for SSI. Ask for the factsheet, *SSI for Noncitizens*, Publication No. 05-11051, for information about who can qualify.)

***Here's An Important Point:*** Children as well as adults can get SSI benefits because of blindness or disability. See Page 25 for more information.

## **Income And Asset Limits For SSI**

To get SSI, your income and the value of the things you own must be below certain dollar limits.

By the term **income**, we mean the money you have coming in such as earnings, Social Security, or other government checks, pensions, etc. We also mean “non-cash” items you receive such as the value of free food and shelter.

How much income you can have and still get SSI depends on whether you work or not—and in which state you live. Although there is a basic national SSI payment rate, some states add money to the national payment, so they have higher SSI rates and higher income limits than others. Check with your local Social Security office to find what the SSI rates and income limits are in your state.

**Assets** are the things you own such as property, cash and bank accounts. We don't count everything you own when we decide if you can get SSI. For example, we don't count your home and many of your personal belongings, and we usually don't count your car.

You may be able to get SSI if the things you own that we count are worth no more than:

- \$2,000 for one person; or
- \$3,000 for a couple.

Unlike the income category, these limits don't change from state to state.

### **How Much Can You Get From SSI?**

How much you'll get from SSI depends on your other income and where you live. The basic monthly SSI check is the same in all states—\$494 for one person and \$741 for a couple. Some states add money to the basic rate, so you may get more if you live in one of these states. You'll get less if you have other income or if someone helps pay for your food and shelter.

For more information about SSI rates in your state, contact your local Social Security office.

### **SSI For People With Disabilities — Including Children**

People with disabilities, including children, can get SSI if their income and assets are below the limits discussed in the previous sections.

Most of the rules used to decide if a person has a condition severe enough to qualify for Social Security disability benefits also apply to SSI.

As with Social Security, the SSI program has special plans to help people who want to try going back to work without the risk of suddenly losing their benefits or Medicaid coverage. To learn more about these special plans, ask for a copy of the leaflet, *Working While Disabled ... How We Can Help* (Publication No. 05-10095).

For special information about benefits for children with disabilities, ask for a copy of the leaflet, *Benefits For Children With Disabilities* (Publication No. 05-10026).

### **Other Help You Can Get**

Most people who get SSI also can get food stamps and “Medicaid” assistance. Medicaid, which is a different program than Medicare, helps pay doctor and hospital bills. For more information about food stamps, ask Social Security for a copy of the factsheet, *Food Stamp Facts* (Publication No. 05-10101). For more information about Medicaid, contact your local social services office.

### **Medicare**

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Medicare is our country’s basic health insurance program for people 65 or older and many people with disabilities.

You should not confuse Medicare and Medicaid.

Medicaid is a health care program for people with low income and limited assets. It is usually run by state welfare or social service agencies. Some people qualify for one or the other; some qualify for both Medicare and Medicaid.

This booklet provides only a brief overview of the Medicare program. If you would like to learn more about Medicare, call or visit any Social Security office and ask for a copy of the booklet, *Medicare* (Publication No. 05-10043).

### **Medicare Has Two Parts**

Medicare provides—

- hospital insurance (sometimes called “Part A”) that helps pay for inpatient hospital care and certain followup services; and

- medical insurance (sometimes called “Part B”) that helps pay for doctors’ services, outpatient hospital care, and other medical services.

### **Who Is Eligible For Hospital Insurance (Part A)?**

Most people get hospital insurance when they turn 65. You qualify for it automatically if you’re eligible for Social Security or Railroad Retirement benefits. Or you may qualify on a spouse’s (including divorced spouse’s) record. Others qualify because they are government employees not covered by Social Security who paid the Medicare part of the Social Security tax.

In addition, if you’ve been getting Social Security disability benefits for 24 months, you’ll qualify for hospital insurance.

Also, people who have permanent kidney failure that requires maintenance dialysis or a kidney replacement qualify for hospital insurance if they are insured or if they are the spouse or child of an insured worker.

Almost everybody qualifies for hospital insurance through one of the above methods. But if you don’t and if you’re 65 or older, you can buy hospital insurance just like you can buy other health insurance policies.

### **Who Can Get Medical Insurance (Part B)?**

Almost anyone who is eligible for hospital insurance can sign up for medical insurance. Unlike Part A, which was paid for by your taxes while you worked and is free when you’re eligible for it. Part B is an optional program that, in 1998, costs \$43.80 per month if you choose to enroll. Almost everybody signs up for this part of Medicare.

## **How Do You Get Medicare?**

If you are already getting Social Security benefits when you turn 65, you'll automatically be enrolled in Medicare (although you have the opportunity to turn down Part B).

If you're disabled, you'll automatically be enrolled in Medicare after you've been getting disability benefits for 24 months. (You can turn down Part B.)

If you turn 65 and plan to keep working but don't plan to sign up for Social Security at that time, you should call or visit a Social Security office so we can help you decide if you should sign up for Medicare only.

There are many other rules associated with Medicare enrollment **including penalties for not enrolling in Part B when you're first eligible**. Please contact your local Social Security office for more details.

## **What Does Medicare Pay For?**

Medicare hospital insurance (Part A) helps pay for:

- inpatient hospital care;
- skilled nursing facility care;
- home health care; and
- hospice care.

Medicare medical insurance (Part B) helps pay for:

- doctors' services;
- outpatient hospital services;
- home health visits;
- diagnostic X-ray, laboratory and other tests;
- necessary ambulance services; and
- other medical services and supplies.

### **What Medicare Does Not Pay For**

Not all health services are covered by Medicare. For example, Medicare does **not** pay for:

- custodial care;
- dentures and routine dental care;
- eyeglasses, hearing aids, and examinations to prescribe and fit them;
- nursing home care (except skilled nursing care);
- prescription drugs; and
- routine physical checkups and related tests.

### **Help For Low-Income Medicare Beneficiaries**

If you get Medicare and have low income and few assets, your state may pay your Medicare premiums and, in some cases, other “out-of-pocket” Medicare expenses such as deductibles and coinsurance. Only your state can decide if you qualify. To find out if you do, contact your state or local welfare office or Medicaid agency. For more general information about the program, contact Social Security and ask for a copy of the leaflet, *Medicare Savings For Qualified Beneficiaries* (HCFA Publication No. 02184).

## **Part 4—What You Need To Know After You Sign Up For Social Security**

After you’ve signed up for retirement, disability, survivors, Medicare or SSI benefits, your involvement with Social Security is just beginning. This section of the booklet explains a few things you need to know about your benefits.

When your benefits begin, we send you a booklet that explains your rights and responsibilities. In addition, we produce a variety of publications that explain other facts you need to know about Social Security and SSI. **If you need more information**, call or visit any Social Security

office to tell us your situation. There is probably a pamphlet or factsheet we can give you that will answer your questions.

## **What You Should Tell Us**

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Let us know if any of the following events occur:

- you move;
- you get married or divorced;
- you change your name;
- your income or earnings change;
- you become a parent or adoptive parent;
- you are imprisoned;
- you leave the United States; or
- a Social Security beneficiary dies or becomes unable to manage his or her funds.

## **If You Disagree With A Decision We Make**

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Whenever we make a decision that affects your eligibility for Social Security or SSI benefits, we send you a letter explaining our decision. If you disagree with our decision, you have the right to appeal it. In other words, you can ask us to review your case. If our decision was wrong, we will change it.

***For More Information:*** To learn more about the appeals process, call or visit any Social Security office to ask for a copy of the factsheet, *The Appeals Process* (Publication No. 05-10041).

In addition, you have the right to be represented by a qualified person of your choice when dealing with Social Security. For more information, ask us for a copy of the factsheet, *Your Right To Representation* (Publication No. 05-10075).

## How Your Earnings Affect Your Benefits

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The law limits the amount of money you can earn and still collect all your Social Security benefits. This provision affects people under the age of 70 who collect Social Security retirement, dependents or survivors benefits. (Earnings in or after the month you reach age 70 won't affect your Social Security benefits.) **People who work and collect disability or SSI benefits have different earnings requirements and should report all their income to Social Security.**

**If you are under age 65**, you can earn up to \$9,120 in 1998 and still collect all your Social Security benefits.

However, for every \$2 you earn over \$9,120, \$1 will be withheld from your Social Security benefits.

**If you are age 65 through 69**, you can earn up to \$14,500 in 1998 and still collect all your Social Security benefits.

However, for every \$3 you earn over \$14,500, \$1 will be withheld from your Social Security benefits.

We count only the earnings you make from a job, or your net profit if you're self-employed. This includes compensation such as bonuses, commissions and vacation pay. It doesn't include pensions, annuities, investment income, interest, Social Security, veterans or other government benefits.

***For More Information:*** To learn more about the Social Security earnings limits and how they affect you, call or visit any Social Security office to ask for a copy of the leaflet, *How Work Affects Your Benefits* (Publication No. 05-10069).



## Your Benefits May Be Taxable

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Some people who get Social Security will have to pay taxes on their benefits. You'll be affected only if you have substantial income in addition to your Social Security benefits.

**If you file a federal tax return as an "individual,"** and your combined income\* is between \$25,000 and \$34,000, you may have to pay taxes on 50 percent of your Social Security benefits. If your combined income\* is above \$34,000, up to 85 percent of your Social Security benefits is subject to income tax.

**If you file a joint return,** you may have to pay taxes on 50 percent of your benefits if you and your spouse have a combined income\* that is between \$32,000 and \$44,000. If your combined income\* is more than \$44,000, up to 85 percent of your Social Security benefits is subject to income tax.

\*"Combined income" means your and your spouse's adjusted gross income (as reported on your Form 1040) **plus** nontaxable interest **plus** one-half of your Social Security benefits.

If you are married, but file a separate return, you probably will pay taxes on your benefits.

***For More Information:*** If you would like more information about the taxation of your Social Security benefits, there are some IRS publications that will help you. Call or visit IRS to ask for a copy of Publication 554, *Tax Information for Older Americans*, and Publication 915, *Social Security Benefits And Equivalent Railroad Retirement Benefits*.

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## **When Somebody Needs Help Managing Benefits**

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Sometimes, people who receive Social Security or SSI are not able to handle their own financial affairs. In those cases, and after a careful investigation, we appoint a relative, a friend or another interested party to handle their Social Security matters. We call that person a “representative payee.” All Social Security or SSI benefits due are made payable in the representative payee’s name on behalf of the beneficiary.

***Here’s An Important Point:*** If you have “power of attorney” for someone, that does not automatically qualify you to be his or her representative payee.

If you are a representative payee, you have important responsibilities. You must:

- use the Social Security or SSI benefits for the personal care and well-being of the beneficiary, saving any excess funds on the beneficiary’s behalf;
- file a periodic accounting report with Social Security that shows how you spent or saved the benefits you were paid; and
- keep Social Security informed of any events that might affect the beneficiary’s eligibility for benefits. For example, you should tell us if the beneficiary moves or gets a job. And, of course, you should tell us when the beneficiary dies.

***For More Information:*** If you would like to learn more about receiving benefits on behalf of another individual, call or visit any Social Security office to ask for a copy of the booklet, *A Guide For Representative Payees* (Publication No. 05-10076).

## Other Booklets Available

As we said on the first page, this booklet provides a general overview of Social Security programs and how they might affect you. Throughout this booklet, we refer you to other publications whenever the situation requires more information or a more detailed explanation.

SSA and the Health Care Financing Administration (Medicare) produce many publications and factsheets designed to help explain these programs to you. Here's a list of some you may find helpful:

- *Retirement Benefits* (Publication No. 05-10035)—a guide to Social Security retirement benefits;
- *Disability Benefits* (Publication No. 05-10029)—a guide to Social Security disability benefits;
- *Survivors Benefits* (Publication No. 05-10084)—a guide to Social Security survivors benefits;
- *Medicare* (Publication No. 05-10043)—a guide to the Medicare program;
- *Supplemental Security Income* (Publication No. 05-11000)—a guide to the Supplemental Security Income program; and
- *Benefits For Children With Disabilities* (Publication No. 05-10026)—an overview of benefits available to children.

These and other publications can be obtained at any Social Security office or by calling our toll-free number, **1-800-772-1213**, 24 hours a day, including weekends and holidays.

You can also reach us on the Internet. Type <http://www.ssa.gov> to access Social Security information.

## Examples of Benefits

### Approximate Monthly Benefits If You Retire At Full Retirement Age And Had Steady Lifetime Earnings

| Your Age<br>In 1998 | Your Family                      | Your Earnings in 1997 |          |          |          | \$65,400<br>Or More <sup>1</sup> |
|---------------------|----------------------------------|-----------------------|----------|----------|----------|----------------------------------|
|                     |                                  | \$20,000              | \$30,000 | \$40,000 | \$50,000 |                                  |
| 45                  | You                              | \$ 809                | \$1,076  | \$1,265  | \$1,390  | \$1,592                          |
|                     | You and your spouse <sup>2</sup> | 1,213                 | 1,614    | 1,897    | 2,085    | 2,388                            |
| 55                  | You                              | 809                   | 1,076    | 1,265    | 1,377    | 1,525                            |
|                     | You and your spouse <sup>2</sup> | 1,213                 | 1,614    | 1,897    | 2,065    | 2,287                            |
| 65                  | You                              | 784                   | 1,043    | 1,197    | 1,269    | 1,342                            |
|                     | You and your spouse <sup>2</sup> | 1,176                 | 1,564    | 1,795    | 1,903    | 2,013                            |

<sup>1</sup> Earnings equal to or greater than the OASDI wage base from age 22 through the year before retirement.

<sup>2</sup> Your spouse is assumed to be the same age as you. Your spouse may qualify for a higher retirement benefit based on his or her own work record.

**Note:** The accuracy of these estimates depends on the pattern of your actual past earnings and on your earnings in the future.

### Approximate Monthly Benefits If You Become Disabled In 1998 And Had Steady Earnings

| Your Age | Your Family                             | Your Earnings In 1997 |          |          |          | \$65,400 Or More <sup>1</sup> |
|----------|---|-----------------------|----------|----------|----------|-------------------------------|
|          |   | \$20,000              | \$30,000 | \$40,000 | \$50,000 |                               |
| 25       | You                                     | \$809                 | \$ 1,076 | \$1,265  | \$1,390  | \$1,566                       |
|          | You, your spouse and child <sup>2</sup> | 1,214                 | 1,614    | 1,897    | 2,085    | 2,349                         |
| 35       | You                                     | 809                   | 1,076    | 1,265    | 1,390    | 1,559                         |
|          | You, your spouse and child <sup>2</sup> | 1,214                 | 1,614    | 1,897    | 2,085    | 2,338                         |
| 45       | You                                     | 809                   | 1,076    | 1,265    | 1,390    | 1,528                         |
|          | You, your spouse and child <sup>2</sup> | 1,214                 | 1,614    | 1,897    | 2,085    | 2,293                         |
| 55       | You                                     | 809                   | 1,076    | 1,257    | 1,348    | 1,442                         |
|          | You, your spouse and child <sup>2</sup> | 1,214                 | 1,614    | 1,886    | 2,023    | 2,164                         |
| 64       | You                                     | 783                   | 1,041    | 1,195    | 1,266    | 1,340                         |
|          | You, your spouse and child <sup>2</sup> | 1,174                 | 1,562    | 1,793    | 1,900    | 2,010                         |

<sup>1</sup> Earnings equal to or greater than the OASDI wage base from age 22 through 1997.

<sup>2</sup> Equals the maximum family benefit.

**Note:** The accuracy of these estimates depends on the pattern of your earnings in prior years.

## Approximate Monthly Survivors Benefits For Your Family If You Had Steady Earnings And Die In 1998

| Your Age | Your Family                               | Your Earnings In 1997 |          |          |          | \$65,400 Or More <sup>1</sup> |
|----------|---|-----------------------|----------|----------|----------|-------------------------------|
|          |   | \$20,000              | \$30,000 | \$40,000 | \$50,000 |                               |
| 35       | Your spouse and one child <sup>2</sup>    | \$1,214               | \$1,614  | \$1,897  | \$2,085  | \$2,348                       |
|          | Your spouse and two children <sup>3</sup> | 1,459                 | 1,914    | 2,215    | 2,434    | 2,741                         |
|          | One child only                            | 607                   | 807      | 948      | 1,042    | 1,174                         |
|          | Your spouse at age 60 <sup>4</sup>        | 578                   | 769      | 904      | 994      | 1,119                         |
| 45       | Your spouse and one child <sup>2</sup>    | 1,214                 | 1,614    | 1,897    | 2,085    | 2,302                         |
|          | Your spouse and two children <sup>3</sup> | 1,459                 | 1,914    | 2,215    | 2,434    | 2,687                         |
|          | One child only                            | 607                   | 807      | 948      | 1,042    | 1,151                         |
|          | Your spouse at age 60 <sup>4</sup>        | 578                   | 769      | 904      | 994      | 1,097                         |
| 55       | Your spouse and one child <sup>2</sup>    | 1,214                 | 1,614    | 1,886    | 2,023    | 2,164                         |
|          | Your spouse and two children <sup>3</sup> | 1,459                 | 1,914    | 2,201    | 2,361    | 2,526                         |
|          | One child only                            | 607                   | 807      | 943      | 1,011    | 1,082                         |
|          | Your spouse at age 60 <sup>4</sup>        | 578                   | 769      | 899      | 964      | 1,031                         |

<sup>1</sup> Earnings equal to or greater than the OASDI wage base from age 22 through 1997.

<sup>2</sup> Amounts shown also equal the benefits paid to two children, if no parent survives or surviving parent has substantial earnings.

<sup>3</sup> Equals the maximum family benefit.

<sup>4</sup> Amounts payable in 1997. Spouses turning 60 in the future would receive higher benefits.

**Note:** The accuracy of these estimates depends on the pattern of your earnings in prior years.

## Some Facts About Social Security

### **1998 Social Security and Medicare Taxes**

- You and your employer each pay 7.65 percent up to \$68,400
- If you're self-employed, you pay 15.3 percent up to \$68,400

### **Extra Taxes For Medicare In 1998**

- You and your employer each pay 1.45 percent on all wages above \$68,400
- If you're self-employed, you pay 2.9 percent on all net earnings above \$68,400

### **Work Credits In 1998**

- For each \$700 you earn, you receive one Social Security "credit" up to four per year
- Most people need 40 credits to be eligible for retirement benefits
- Younger people need fewer credits to qualify for disability and survivors benefits

### **Average 1998 Monthly Social Security Benefits**

- Retired worker: \$765
- Retired couple: \$1,288
- Disabled worker: \$721
- Disabled worker with a spouse and child: \$1,198
- Widow(er): \$731
- Young widow(er) with two children: \$1,522

### **1998 Earnings Limits**

- If you're under age 65, you can earn up to \$9,120 with no reduction in benefits; for every \$2 you earn over \$9,120, \$1 is withheld from benefits
- If you're 65-69, you can earn up to \$14,500 with no reduction in benefits; for every \$3 you earn over \$14,500, \$1 is withheld from benefits
- If you're 70 or older, there is no limit on your earnings

### **1998 SSI Payment Rates**

**(does not include state supplement, if any)**

- \$494 for an individual
- \$741 for a couple

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**Social Security Administration**  
SSA Publication No. 05-10024  
January 1998 (*Replaces prior edition*)  
ICN 454930  
Unit of Issue - Package of 25



**Printed on recycled paper**